



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: April 13, 2005 REPORT NO. 05-092

ATTENTION: Honorable Mayor and City Council and Redevelopment Agency
Docket of April 19, 2005

SUBJECT: San Diego Main Library Update & Contract Amendments

REFERENCE: Manager's Report No. 00-107 Dated May 18, 2000
Manager's Report No. 00-125 Dated June 2, 2000
Manager's Report No. 00-193 Dated September 27, 2000
Manager's Report No. 01-148 Dated July 25, 2001
Manager's Report No. 01-275 Dated December 7, 2001
Manager's Report No. 02-159 Dated July 10, 2002
Manager's Report No. 02-264 Dated November 8, 2002
Manager's Report No. 03-043 Dated March 19, 2003

SUMMARY:

Issues -

1. Should the City Council authorize the City Manager to execute a Sixth Amendment to Agreement with a Joint Venture between Rob Wellington Quigley Architects, Inc., and Tucker Sadler Noble Castro Architects, Inc. for the design of CIP No. 35-082.0, San Diego New Main Library and should the Redevelopment Agency authorize the expenditure of \$2,085,500 for the Sixth Amendment; and
2. Should the City Council authorize the City Manager to execute a First Amendment to Agreement with Turner Construction Company for Pre-Construction Services related to the design of CIP No. 35-082.0, San Diego New Main Library, and should the Redevelopment Agency authorize the expenditure of \$444,640 for the First Amendment; and
3. Should the City Council authorize the City Manager to execute a First Amendment to Agreement with WRISC, Inc. for Professional Services related to the insurance program for CIP No. 35-082.0, San Diego New Main Library and

should the Redevelopment Agency authorize the expenditure of \$66,338 for the First Amendment; and

4. Should the City Council authorize the City Manager to execute a Second Amendment to Agreement with Bechard and Associates for LEED (Leadership in Energy and Environmental Design) related Professional Services necessary for the design of CIP No. 35-082.0, San Diego New Main Library and should the Redevelopment Agency authorize the expenditure of \$166,320 for the Second Amendment; and
5. Should the Redevelopment Agency authorize the additional expenditure of \$3,737,202 for project related expenditures for a total of \$6,500,000 of Agency tax increment funds for San Diego Main Library ?

Manager's Recommendation -

6. Authorize the City Manager to execute a Sixth Amendment to Agreement with a Joint Venture between Rob Wellington Quigley Architects, Inc., and Tucker Sadler Noble Castro Architects, Inc. for the design of CIP No. 35-082.0, San Diego New Main Library and the expenditure of \$2,085,500 for the Sixth Amendment from Fund No. 98808, San Diego Downtown Main Library; and
7. Authorize the City Manager to execute a First Amendment to Agreement with Turner Construction Company for Pre-Construction Services related to the design of CIP No. 35-082.0, San Diego New Main Library, and the expenditure of \$444,640 for the First Amendment from Fund No. 98808, San Diego Downtown Main Library; and
8. Authorize the City Manager to execute a First Amendment to Agreement with WRISC, Inc. for Professional Services related to the insurance program for CIP No. 35-082.0, San Diego New Main Library and the expenditure of \$66,338 for the First Amendment from Fund No. 98808, San Diego Downtown Main Library; and
9. Authorize the City Manager to execute a Second Amendment to Agreement with a Bechard and Associates for LEED (Leadership in Energy and Environmental Design) related Professional Services necessary for the design of CIP No. 35-082.0, San Diego New Main Library and the expenditure of \$166,320 for the Second Amendment from Fund No. 98808, San Diego Downtown Main Library; and
10. Authorize the expenditure of \$3,737,202 for a total of \$6,500,000 of Agency tax increment funds, Fund No. 98808, San Diego Downtown Main Library for project related expenditures.

Other Recommendations - None.

Fiscal Impact

Funds totaling \$20,000,000 is available from Redevelopment Agency Tax Increment funding for the San Diego Main Library. Presently, the necessary funding for the completion of the construction documents, demolition of the existing Police Garage, and development of a gross maximum price for the construction of the Main Library is estimated to be less than \$6,500,000.

This estimate includes the following contract amendments: the Sixth Amendment to Agreement with the Joint Venture between Rob Wellington Quigley Architects, Inc., and Tucker Sadler Noble Castro Architects, Inc. which will complete the construction documents and provide assistance during the bidding phase for an increase of \$2,085,500 to the existing \$7,185,000 contract for a total of \$9,270,500; the First Amendment to Agreement with Turner Construction Company for Pre-Construction Services related to the design will increase the existing \$500,000 contract by \$444,640 to a total of \$944,640; the First Amendment to Agreement with WRISC, Inc. for Professional Services related to the insurance program will increase the existing \$33,662 contract by \$66,338 for a total of \$100,000 (a \$25,000 purchase order was approved in 1998 and previously expended); and the Second Amendment to Agreement with Bechard and Associates for LEED related Professional Services necessary for the design will increase the existing total (\$48,680) dedicated to the San Diego Main Library by \$166,320 for a total of \$215,000.

The balance of the \$6,500,000 will be used for removal of the underground tanks, demolition of the existing Police Garage, clean up and removal of contamination found on the site, and Project and Construction Management costs associated with the development. .

BACKGROUND

Large Urban Library systems, such as that in San Diego, consist of branch libraries, and a main library that work together to serve numerous functions. The role of the branch library is to provide popular convenient services to their surrounding neighborhoods. The ability of the branch libraries to serve their communities depends on the strength and viability of the main library. The main library is where in-depth subject expertise and resources are provided for specific subject areas such as business, science, art, music, and literature. The main library's specialists are responsible for developing comprehensive collections for the entire library system. The existing Main Library was built in 1954, and plans to replace it have been discussed since 1977. The existing 144,000 square foot building outgrew its space 27 years ago. More than half the collection must be stored in the basement that is closed to the public and available only upon request. The existing library doesn't have electrical capacity or space for the proper amount of computers needed for the public, the necessary parking, and there is little space for exhibits, meetings, or cultural events. All of these problems would be solved with the new proposed 500,000 square foot Main Library.

Since 1980, San Diego's population has grown from a population of 865,000 to over 1.2 million. With this population and area growth the branch libraries have also been expanding. During the past 25 years the City has completed 22 new library projects. Five new libraries have been added, another 17 expansions/replacements have significantly increased the size of the old branch libraries. On July 30, 2002, the City Council authorized 24 specific library capital improvement projects, including the new Main Library and 23 branch libraries throughout San Diego. On November 18, 2002, the City Council approved the financing plan to complete the Library System Improvements Program. From the 24 projects, Point Loma Library, and La Jolla/Riford Library have been completed. In addition, College Heights-Rolando Library, Otay Mesa-Nestor Library, Serra Mesa-Kearny Mesa Library and the North University Community Library are currently under construction.

The new San Diego Main Library is now near completion of the construction drawings. The project began in October 1995, when the City Council approved development of a new Main Library downtown. Property was acquired at Kettner and B Street and a design was initiated. While under design, discussion about the location continued resulting in selection of a new site at 12th Street and J Street (the Park to Bay site) by the City Council in June 2000. The City Council also authorized the relocation of the existing Police Garage from the site in October 2000, and selected a design team consisting of Tucker Saddler Architects Inc. and Rob Wellington Quigley Architects Inc. to provide the architectural services necessary for the project. The Park to Bay site plan was further developed and presented to the City Council in July of 2001, at which time City Council re-affirmed the site selection as the preferred location and directed the City Manager to continue with the project's development. In May of 2002 the City Council certified the Mitigated Negative Declaration (LDR No. 41-0980) for the development of the Main Library. The City also applied for, and received a State Proposition 14 Grant for the Main Library in December 2003 for an amount of \$20,000,000. In January of 2003, the City advertised a Request for Qualification for pre-construction and construction management services. Seven firms submitted their qualifications, and four firms were selected to participate in a Request for Proposal process. Turner Construction was recommended by the City Manager, and in August 2004 the City Council authorized a pre-construction services contract with Turner Construction.

The relocation of the Central Police Garage, located at Park to Bay Main Library site, was developed as a separate project. City Council added the Central Police Garage Relocation Project, to the Capital Improvement Program in October 2000 to address deficiencies at the existing site, and to allow the Main Library to be located on the Park to Bay site. The new \$10,400,000 Police Garage is now under construction at the northeast corner of the Home Avenue and Federal Boulevard. The construction schedule has been delayed due to the unusual amount of rain this year. Currently the contract completion date has been extended by 39 days for rain and rain related delays necessitating cessation of work on the project. The project is now estimated to be completed in July of this year. This two month delay is incorporated in the new Main Library schedule discussed later.

In January the Centre City Development Corporation(CCDC) was asked to declare their intent to

increase the funding contribution for the Main Library from \$40,000,000 to \$80,000,000. On March 23, 2005 the CCDC Board recommended increasing the contribution to the Main Library to \$80,000,000. The Board further recommended disbursing up to \$6,500,000 from the \$20,000,000 programmed for the Main Library in Fiscal Year 2005 for completion of the Construction Documents, demolishing the existing Police Garage, clean up of the site, and other work necessary to award a construction contract. Several areas of questioning were discussed in detail at the Board meetings.

These included:

- < How does a Construction Manager at Risk contract control price escalation during the 30 month construction?
- < Why hasn't the \$149,500,000 budget significantly increased over the last two years?
- < How does the schedule work with the anticipated cash flow including the State Grant and Private Contributions?
- < How will the current appropriation of \$20,000,000 be spent?

All of these questions were answered in enough detail to secure the CCDC Board's recommendations for the project and are further detailed in the Discussion below.

DISCUSSION

How does a Construction Manager at Risk contract control price escalation during the 30 month construction?

The Construction Manager at Risk process is a collaborative effort between the City, the Architectural team, and the contractor. This effort began on the Main Library in August of last year when Turner Construction (Turner) was selected to provide pre-construction services. Since that time Turner has participated in design meetings, taken over responsibility for the cost estimating, scheduling, constructability review, value engineering and the development of bidding packages that will be used to solicit bids for the work. All of this effort is intended to improve the construction documents and assure that Turner is familiar with the proposed facility and fully understands what the project entails.

Once the bid documents are complete, Turner will solicit bids for the work and coordinate with the City and Architectural team to assure that the bids and proposals are in compliance with contract documents. A determination will also be made as to which bids and proposals represent the lowest responsible bid. The contract with Turner requires closed bids for all construction work. This process will be supervised by the City to assure compliance with City and State contracting procedures. The process is set up such that approximately 85% of all the work necessary to complete the Main Library will have been bid when Turner develops the Gross Maximum Price (GMP). The development of the GMP is an open book process in which the City will review all the bids, negotiate the estimated cost for the remaining work, and accept

a fixed price for the General Conditions. General Conditions include profit, insurance, outreach, and all other aspects of the effort Turner will provide for the construction of the Main Library. The GMP is identified by adding the fixed fee for General Conditions, work that has been bid, the estimate for unbid work, and a 3% contractor contingency. Turner will guarantee to complete the building for not more than the GMP stated in the contract. This guarantee provides the City with the assurance that the price will not escalate further after award of the contract. All potential price changes must be incorporated by Turner within the 3% contractor contingency included in the GMP. The only increases to the GMP allowed are for the usual exclusions such as changes made by the City after the work was bid, and unforeseen conditions.

In addition, the framework for the business terms and some specific components of the General Conditions have already been proposed as a part of the competitive selection process that awarded the pre-construction contract to Turner. Turner was selected in part because their proposal for General Conditions is very competitive, and will be included in the construction contract. The 3% Contractor Contingency included in the GMP mentioned above is an allowance the contractor may use if adjustments to the costs within the GMP are necessary. The City will retain any portion of the contractor contingency that has not been justified and expended by the contractor after completion of the contract.

Why hasn't the \$149,500,000 budget significantly increased over the last two years?

The total project budget has not changed since the March 2003 estimate. While the overall budget hasn't changed there has been significant changes within components that make up the overall budget. The March 2003 State Grant application provided a budget breakdown totaling \$149,500,000. That estimate remains in place with adjustments and is attached as Attachment A. The one area that has seen significant adjustments is in the construction cost estimate. The difference between the March 2003 Campbell-Anderson & Associates construction cost estimate and the January 2005 Construction cost estimate prepared by Turner represents a 28% increase in the cost of construction. Attachment B provides a side by side comparison of the two budgets identifying where the budget was reduced to account for the increase in construction costs. While the overall budget has remained the same, the contingencies built into the March 2003 estimate have been reduced by \$9,974,643, the design team has identified \$13,290,306 in recommended value engineering alternatives and deferred work, and the furniture budget has been reduced by \$1,500,000 to adjust for the intent to reuse furniture from the existing Main Library.

The contingencies for the project are identified in four separate components of the budget. The design contingency was reduced from 7.5% to 5% to reflect the level of detail now available in the construction drawings. This reduction is typical in that as the design is refined towards complete construction drawings there is more confidence in the details of how each component of the building will be built. The construction contingency was reduced by 1% due to the commitment from Turner to build a 3% contractor contingency into the GMP as a part of their business terms. The escalation (inflation) contingency was reduced by approximately 2.5%. The

two cost estimates included approximately 5% per year for escalation of construction costs. The \$2,867,215 reduction between the two inflation estimates is a reflection of the fact that time to the mid-point of construction was estimated as six months closer. The 2003 estimate presumed 15 months to the beginning of construction, and the Turner estimate presumed 9 months to the beginning of construction. The final contingency was for insurance. In 2003 the insurance industry was significantly increasing the cost of construction insurance programs throughout the country. To address this possible increase above the typical 4.5% an additional \$4,427,200 was included in the 2003 estimate to accommodate the possibility of higher insurance premiums. Turner's insurance program, as identified in their proposal submitted last August, showed that the additional \$4,427,200 was not necessary.

One of the primary benefits of a Construction Manager at Risk process is that the contractor will participate in design meetings, takes responsibility for constructability review, and provides value engineering for the construction documents. This effort allows the design team the ability to consider cost as the design is being developed. Turner has and continues to help the design team identify ways that will provide what is needed at a reduced cost. Attachment C provides a list of all the ideas that have been incorporated to reach the \$7,840,000 reduction included in the current estimate. For instance, \$4,654,964 of the \$7,840,000 was identified by switching the proposed white concrete to one that provides a white appearance and is readily available, and working with the structural engineer on the foundation details (see items 31B, 32B and 51 in Attachment C).

In addition to the value engineering effort the estimate proposes to include the construction of the auditorium as an additive bid alternative and to defer the tenant improvements for the proposed lease spaces on the 6th and 7th floors. Even though the auditorium is a significant amenity it is a separate and distinct building that could be deferred without a major impact to the library operations. If favorable bids are received or additional private contributions are identified the auditorium would be built with this contract. If the 350 seat auditorium is deferred, the 400 seat multipurpose room on the 9th floor could provide the space necessary to meet the library's program needs. The intent of the 6th and 7th floor is to provide space for future expansion of the library as time goes by. It is currently estimated that the library space on floors 1,2,3,4,5,8,and 9 will reach capacity in 2020. The 6th and 7th floor allows the library to continue expanding for another 30 years. In the meantime the space is expected to produce income to offset the cost of operating the Library. The tenant improvements on the 6th and 7th floor could be included as a part of the tenant rent negotiations when the space is leased.

The reuse of the existing furniture was suggested and incorporated to reduce the budget and connect the old library to the new. Much of the existing furniture and paneling is in good shape and could be readily used for many years. It is estimated that reuse of this furniture will reduce the cost of the fixtures, furniture and equipment (FF&E) budget from \$10,000,000 to \$8,500,000.

While these adjustments have been implemented additional contingencies may be necessary. In

2004 the Engineering News Record determined that building costs rose by 9.7% in the United States, and estimates that inflation in 2005 will be 3.6%. This estimate presumes that construction material costs will stabilize by year end. While a 5% contingency is built into the Main Library's budget, the current San Diego construction climate remains challenging, and true cost will not be known until after bids are received. The entire Main Library team is evaluating further bidding alternates that could be used to reduce the scope or increase the scope depending on the final costs received and the final budget approved.

How does the schedule work with the anticipated cash flow including the State Grant and Private Contributions?

The cash flow estimate was developed using the actual month to month expenditures Turner documented on the Convention Center construction, and combining these costs with the estimated expenditures for all the other project related costs. Based on this estimated rate of expenditure, the months in which encumbrances would be needed was developed. The Redevelopment Agency funds are available in specific months throughout the 30 month construction schedule and the State Grant funds are available in the early part of construction. This would provide for four funding phases with Turner, and is recommended as the maximum number of phases. Fewer phases would be preferred.

The State Grant allows the City to bill the State for reimbursement from the first \$22,500,000 of construction. The State reimburses the City for 65% of the cost and the City is responsible for 35%. The State does hold back a 10% retention until the project is certified as complete. This results in the grant, less the retention, being paid to the City once \$30,000,000 has been expended. The first \$7,500,000 subject to State reimbursement is for land acquisition. The next \$22,500,000 in construction could be billed completing the State reimbursement within the first six months of construction. State funds are dependent on the City completing the building by December 31, 2008. Expenditure of these funds is warranted only after the award and construction of the facility is assured.

The inclusion of approximately \$50,000,000 of Private Contributions will complete the funding for this project. The City and the San Diego Public Library Foundation has been actively seeking funds needed for the Main Library, of which \$3,000,000 has been contributed. Therefore an additional \$47,000,000 is the minimum amount to be raised in order to complete the project. Since construction can not stop once a contract has been let without significant change order exposure, at least \$30,000,000 would need to be securely identified, and either in the City Treasury, or committed prior to the award of a construction contract. The remaining \$17,000,000 should be raised no later than December 2006 to avoid impact to the project completion. This was a major point of discussion at the Centre City Development Corporation Board hearing with considerable discussion concerning the near term schedule.

How will the current appropriation of \$20,000,000 be spent?

The Board recommended that expenditures of the currently available \$20,000,000 be limited to

\$6,500,000 until at least \$30,000,000 of the Private Contributions are available for award of the full construction contract. The expenditure of \$6,500,000 will allow three separate processes to move forward. These are the relocation of the Police Garage and demolition and cleanup of the existing site; completion of the construction documents and review processes necessary to pull building permits; and the development of the GMP for the contract with Turner. All three of these efforts must be accomplished prior to award of a construction contract for the Main Library. The current schedule proposes to complete these efforts such that a construction contract could be awarded in September of this year. The construction of the building will then take 30 months to complete, and the Library staff will need approximately 4 months to move in and prepare the library for opening to the Public. This would allow for the opening of the library in the summer of 2008.

As mentioned earlier, the new police garage facility is expected to be complete in July of this year. Once complete, two construction contracts, issued by the City, would be needed to clear the site. The first contract would be for the removal of the existing fuel tanks and cleanup of any fuel contaminated soil. This contract is expected to cost less than \$500,000 and will be complete in three to four weeks. The construction plans for this work have been completed and are expected to be bid this month. The second contract would demolish the existing Police Garage, and cleanup any contaminated soil found. There is an expectation that some burn ash will be found, as is typical of this area, and cleanup in the area around the existing hydraulic lifts and other underground storage facilities may be necessary. This contract is expected to last four to six weeks, and cost between \$800,000 and \$1,300,000 depending on the level of cleanup necessary. The result of these two contracts will clear the site and improve the general appearance in the ballpark area. The lot could be used for parking prior to beginning of construction of the Main Library.

The Sixth Amendment to Agreement with the Joint Venture between Rob Wellington Quigley Architects, Inc., and Tucker Sadler Noble Castro Architects, Inc. will complete the plans, provide professional advice on the bidding proposals, and coordination for the building permit and State Architect review of the construction drawings. This will bring the total contract to \$9,270,500. There is an additional \$2,229,500 anticipated for construction administration services that would be awarded when construction begins. The total professional services design contract, including additional services, is expected to be \$11,500,000 or 9.9% of the current construction cost estimate. In 1998, when the original \$10,200,000 contract with the design team was approved for the Kettner site the contract represented 9.9% of the \$103,500,000 estimated construction cost. While the cost of design professionals has increased over the years, the design team has succeeded in keeping their fees in line with previous expectations. The contract amendment with Bechard and Associates will complete the Commissioning efforts necessary to meet the Leadership in Energy and Environmental Design requirements in accordance with Council Policy to achieve at least a silver rating. Funding for the design effort will be fully expended by the end of April without these amendments. These amendments will provide for the completion of the construction plans in time to begin construction in accordance with the proposed schedule.

The contract amendment with WRISC, Inc. will provide Professional Services related to the insurance program for the San Diego New Main Library. Evaluation of Turner's insurance program, procurement and evaluation of Project Insurance covering design errors above the policies limits carried by the design team's Joint Venture and additional insurance for the City's risks all are necessary to fully protect the project. WRISC has experience with the City structure, and has been a part of the team since 1998. This \$66,338 amendment will bring the total contract, to \$100,000. This consultant also was awarded a \$25,000 Purchase Order in 1998 for related work. The combination of this contract and the previous Purchase Order will bring the total expenditure for WRISC Inc. to \$125,000. All these insurance programs must be in place prior to beginning construction in accordance with the proposed schedule. The First Amendment to Agreement with Turner Construction Company for Pre-Construction Services related to the Main Library will increase the contract by \$444,640 to a total of \$944,640. The original contract was based on the beginning of construction in May 2005. The extension of time has increased the costs for this reimbursable contract. In addition, another cost estimate based on the most recently completed plans was ordered, additional services related to testing and cleanup of the existing Police Garage was assigned to Turner, and implementation of an Equal Opportunity Contracting Outreach Program has now been included in the pre-construction services contract. This effort is necessary in order to develop a GMP and contract for construction in accordance with the proposed schedule.

CONCLUSION

In order to move the project forward the contracts with the design and construction professional must be amended. This effort will bring the project to a significant milestone. With the proposed amendments the project will have complete construction plans, the site will be cleared, and total cost of the facility will be known. Clearing the site will remove an industrial use from what is now a quickly developing residential and entertainment district, and prepare the site for construction. Completing the contract with Turner will result in a final cost that could be awarded if sufficient Private Contributions materialize. The completion of the plans is necessary to coordinate with the effort to bid and receive a final cost for the building. All three processes are intertwined, and necessary to move forward from here.

ALTERNATIVE

1) Do not approve the use of Redevelopment Agency funds necessary to complete the San Diego Main Library.

Respectfully submitted,

Afshin Oskoui
Deputy Director, Architectural
Engineering and Contracts Division

Approved: Bruce Herring
Deputy City Manager

Engineering and Capital Projects Department

OSKOU/DG

Attachments: [A. Main Library Budget](#)
[B. Construction Cost Comparison](#)
[C. Value Engineering List](#)